

Rating Rationale

25 March 2022

DP Jain & Co Infrastructure Pvt Ltd.

Brickwork Ratings reaffirms the ratings for the outstanding Non-Convertible Debentures of Rs.8.00 Crs and reaffirms the ratings of bank loan facilities of Rs.597.02 Crs of DP Jain & Co Infrastructure Pvt Ltd.

Particulars

Facilities/ Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (19 Feb 2021)	Present
NCDs	20.00	8.00	Long Term	BWR A /Negative Reaffirmed	BWR A /Negative Reaffirmed
Fund Based Cash Credit	130.00	150.00			
Fund Based Equipment Term loans	81.33	97.02			
Non Fund Based Bank Guarantee	350.00	350.00	Short Term	BWR A2/ Reaffirmed	BWR A2 / Reaffirmed
Total	581.33	605.02	Rupees Six Hundred Five Crores and Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of Bank Facilities/NCD/Bonds is provided in Annexure-I and II

Rating advisory was published on 25 February 2022

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) reaffirmed the ratings of DP Jain & Co Infrastructure Pvt Ltd. (the company) considering factors such as the experienced management, established track record of the company in the infrastructure industry and particularly in the road and highways segment, operational track record with respect to completed Special Purpose Vehicles (SPVs), improved order book position indicating revenue visibility and satisfactory financial performance. However, the ratings are constrained by execution risk associated with large-size projects and inherent risks associated with the construction sector and financial closure of the new SPVs formed in the current FY.

The company's outlook continued to be Negative on account of the continuation of moderate debt protection metrics. The outlook will be revised to Stable, if there is an improvement in the overall debt protection metrics both at the standalone and consolidated levels.



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: The terms of sanction for the bank facilities include standard covenants normally stipulated for cash credit, equipment loans and BG facilities. The key covenants of the bonds are to have a security cover of 2x of the total amount outstanding on the bonds and requirement to maintain a DSRA (Debt Service Reserve Amount) equivalent to 9 months' coupon.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced promoters** - D P Jain & Co Infrastructure Pvt Ltd was established in 2004 and has an established track record of more than 30 years. The promoters of D P Jain & Co Infrastructure Pvt Ltd are Mr Deepak Jain and Mr. Girish Jain, who have extensive experience in road infrastructure construction and operation.
- **Satisfactory track record of annuity payments in SPVs-** DP Jain & Co Infrastructure Pvt Ltd has completed eight BOT-Annuity projects. All the six SPVs have various government authorities such as the MPRDC and KRDC as counterparties with a satisfactory track record of annuity and bonus payments. The SPVs are self-subsisting and are not reliant on support from the parent in terms of debt servicing.
- **Improved unexecuted order book position:** During FY22, the company has bagged an order of Rs. 1859.94 Crs, which resulted in an improvement in the unexecuted order book position from Rs. 1341.98 Crs as on 31 December 2020 to Rs. 2615.00 Crs as on 31 December 2021. This order shows the company's revenue visibility for the next three to four years. Of the unexecuted order book position, 90% comprises its own SPVs, and the remaining 10% consists of independent EPC contracts.
- **Satisfactory financial performance at standalone and consolidated levels:** At the standalone level, the company's revenues have marginally improved to Rs. 595.30 Crs from the previous year's amount of Rs.555.33 Crs. The company reported satisfactory operating and net profit margins of 18.97% and 5.49%, respectively, during FY21. The debt service coverage ratio (DSCR) continued to be at moderate levels and was reported at 1.02X in FY21, as compared to 1.12X in FY20. During FY21, the company's tangible net worth improved to Rs. 289.92 Crs from the previous year of Rs. 252.21 Crs. The company continued to report a low debt equity level of 0.98X as of FY21 and 0.96X as on FY20. At the consolidated level, the company reported revenues at Rs. 828.96 Crs in FY21 as compared to Rs. 788.51 Crs in FY20. The company reported satisfactory operating and net profits during FY21. As per provisional financials for 9MFY22, at a standalone level, the company has achieved revenues of Rs. 384.27 Crs with an operating profit of Rs. 77.44 Crs.



Credit Risks:

- **Financial closure and equity to be infused:** For the newly formed SPVs during the current year, achieving financial closure and ensuring timely equity contribution towards the SPVs is a key rating monitorable.
- **Inherent risk associated with the construction sector:** The entities operating under a tender-based model face revenue and profitability risks as their revenue and profitability depend entirely on the ability to win tenders. Furthermore, entities in this segment face intense competition and have to bid aggressively to win contracts, which further restricts their operating margins. The company also remains exposed to raw material price fluctuation risk. Apart from that, the completion of projects on a timely basis, along with the timely realisation of proceeds from government organisations remains a key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

To arrive at ratings, BWR has considered the company's consolidated financials. The financials of wholly owned subsidiaries, subsidiaries and joint ventures have been consolidated. Details of the consolidated companies are provided in Annexure-III. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES:

Going forward, the company's ability to execute work orders and achieve estimated growth in revenues and profitability, and manage working capital efficiently, shall remain key rating sensitivities

- **Upward** - The rating may be upgraded if the company achieves significant growth in its revenue and if there is significant improvement in its overall financial risk profile, including significant improvement in its debt coverage indicators.
- **Downward** - The rating may be downgraded if there is decline in revenues in FY22, if there is further moderation in debt coverage indicators with DSCR below 1.00 x and if there is an overall deterioration in the financial risk profile.

LIQUIDITY: ADEQUATE

The company is generating adequate cash accruals to meet its debt obligations. During 9MFY22, the company has generated cash accruals of Rs. 43.14 Crs. The cash and cash equivalents were reported at Rs. 23.33 Crs as on 31 December 2021 on a standalone basis. At the consolidated level, the company had generated adequate cash accruals to meet its debt obligations during FY21. BWR expects that the company would be generating adequate cash accruals to meet the debt obligations in the medium term. At the standalone level, it is expected that the cash accruals will be in the range of Rs. 65.00 Crs to Rs. 75.00 Crs for FY22 and FY23, and the repayment obligations for the existing loans are estimated at Rs. 65.00 Crs for FY22 and Rs. 13.09 Crs for



FY23. The company primarily relies on the working capital facilities, wherein the average fund-based utilisation is in the range of 70%, and for non-fund-based, utilisation is below 50%.

ABOUT THE COMPANY

D P Jain & Co Infrastructure Pvt Ltd was set-up in 1974 at Nagpur (Maharashtra) by Mr. Dharampal Jain and his partner, Mr. Nemichand Jain, both first-generation entrepreneurs. It was later reconstituted as a Private Limited Company in December 2004. The company undertakes civil construction in various verticals, roads and highways, railway sidings, airports, power and irrigation. The company also undertakes EPC contracts for various road projects directly or through SPVs. The company constructs and widens roads, highways, builds runways and hangars for airports and also constructs dams, canals, and jack wells in irrigation projects. The company is a Class 1A contractor in Maharashtra and is ISO 9001:2015 certified.

Presently, the business is managed by Mr. Deepak Jain (Chairman) and Mr. Girish Jain (Managing Director), sons of Mr. Dharampal Jain. Mr Deepak Jain is involved in technical operations and manages the execution of orders and bidding and procuring new orders. Mr. Girish Jain has been looking after the finance and general administration of the company.

KEY FINANCIAL INDICATORS - STANDALONE

Key Parameters	Units	FY20-21	FY19-20
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	593.50	555.33
EBITDA	Rs.Crs	112.92	105.03
Net profit	Rs. Crs	32.69	29.59
Tangible Net worth	Rs. Crs	289.92	252.21
Total Debt/Tangible Net worth	In Times	0.98	0.96
Current Ratio	In Times	1.36	1.12

KEY FINANCIAL INDICATORS – CONSOLIDATED

Key Parameters	Units	FY20-21	FY19-20
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	832.05	797.08
EBITDA	Rs.Crs	265.04	224.07
Net profit	Rs. Crs	50.65	35.43
Net worth	Rs. Crs	296.55	240.75
Total Debt/ Net worth	In Times	2.32	2.74
Current Ratio	In Times	0.94	0.89

NON COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

Rating History for the previous three years (Including withdrawal and suspended)

S.No	Instrument /Facility	Current Rating (2022)			Chronology of Rating History for the past 3 years (Rating assigned and press release date) along with outlook/watch, if applicable		
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	Date(s) & Rating(s) assigned in 2021	Date(s) & Rating(s) assigned in 2020	Date(s) & Rating(s) assigned in 2019
1	NCDs	Long Term	8.00	BWR A/ Negative	BWR A/ Negative 19 Feb 2021	BWR A/ Negative 18 Feb 2020	BWR A (Stable) 17 Jan 2019
2	Fund Based	Long Term	247.02	BWR A/ Negative	BWR A/ Negative 19 Feb 2021	BWR A/ Negative 18 Feb 2020	BWR A (Stable) 17 Jan 2019
3	Non Fund Based	Short Term	350.00	BWR A2	BWR A2 19 Feb 2021	BWR A2 18 Feb 2020	BWR A2 17 Jan 2019
Total			605.02	Rupees Six Hundred Five Crores and Two Lakhs Only			



COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors' queries can be sent to info@brickworkratings.com.

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Engineering Procurement and Construction \(EPC\) Companies](#)
- [Short Term Debt](#)

For any other criteria obtain [hyperlinks](#) from website

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Annexure-I
Details of Bank Loan Facilities rated by BWR

S.No	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Crs)
1	Bank of Baroda	Cash Credit	20.00		20.00
2	Bank of Baroda	Equipement Term Loans	4.44		4.44
3	Bank of Baroda	Bank Guarantee		85.00	85.00
4	Bank of India	Cash Credit	30.00		30.00
5	Bank of India	Equipement Term Loans	6.87		6.87
6	Bank of India	Bank Guarantee		40.00	40.00
7	Bank of Maharashtra	Cash Credit	10.00		10.00
8	Bank of Maharashtra	Equipement Term Loans	2.20		2.20
9	Bank of Maharashtra	Bank Guarantee		40.00	40.00
10	HDFC Bank	Equipement Term Loans	16.64		16.64
11	ICICI Bank Ltd	Equipement Term Loans	3.35		3.35
12	IFCI Ltd	Equipement Term Loans	6.05		6.05
13	Indian Overseas Bank	Cash Credit	12.00		12.00
14	Indian Overseas Bank	Equipement Term Loans	2.00		2.00
15	Indian Overseas Bank	Bank Guarantee		25.00	25.00
16	Indusind Bank	Equipement Term Loans	2.05		2.05
17	Kotak Mahindra Bank	Equipement Term Loans	42.98		42.98
18	SBI. Lead Bank	Equipement Term Loans	8.66		8.66
19	SBI. Lead Bank	Bank Guarantee		40.00	40.00
20	State Bank of India	Cash Credit	40.00		40.00
21	Un-tied Portion	Cash Credit	38.00		38.00
22	Un-tied Portion	Bank Guarantee		120.00	120.00
23	Yes Bank	Equipement Term Loans	1.78		1.78
	Total		247.02	350.00	597.02

Annexure-II
Instrument Details

Instrument	Issue Date	O/s Amount (Rs. Crs)	Coupon Rate	Maturity Date	ISIN Particulars
Secured NCD	13 Aug 2014	8.00	13.50%	13 Aug 2022	INE111R07026

Annexure-III
List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
DP Jain Datia – Bhandar Toll Road Projects Pvt Ltd	100%	Proportionate	Wholly owned Subsidiary
DP Jain Dariapur – Jasondhi (Annuity) Road Projects Pvt Ltd	100%	Proportionate	Wholly owned Subsidiary
DP Jain Ujjain Package (Annuity) Road Projects Pvt Ltd	100%	Proportionate	Wholly owned Subsidiary
D P Jain (Nagda - Gogapur) BOT Annuity Project Pvt Ltd	100%	Proportionate	Wholly owned Subsidiary
DPJ Finvest and Services Pvt Ltd	100%	Proportionate	Wholly owned Subsidiary
DPJ Pollachi HAM Project Pvt. Ltd	100%	Proportionate	Wholly owned Subsidiary
DPJ-DRA Tollways Pvt Ltd	51%	Proportionate	Partly owned Subsidiary
DPJ Bidar Chincholi (Annuity) Road Project Pvt Ltd	99.84%	Proportionate	Partly owned Subsidiary
Ghorad Seloo Ham Road Project Private Limited	60%	Proportionate	Partly owned Subsidiary
Nagpur Ghorad Annuity Road Project Pvt Ltd	60%	Proportionate	Partly owned Subsidiary
Dinara Datia DPJ-Pathways Pvt Ltd	51%	Proportionate	Partly owned Subsidiary
DRA-DPJ Tollways Pvt Ltd	0%	Proportionate	Associate
RB Reddy & DP Jain & Co.	40%	Proportionate	Joint Venture
Shrinivasa Cons. Co & DP Jain & Co	30%	Proportionate	Joint Venture
DPJ - NKC	60%	Proportionate	Joint Venture
DP Jain & Co. Infra Pvt Ltd & Khalatkar Cons	60%	Proportionate	Joint Venture
DP Jain & Co. Infra Pvt Ltd & Biotech	67%	Proportionate	Joint Venture



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